

Accountable care organizations

ISSUE: An Accountable Care Organization (ACO) is a group of providers that would be held responsible for the quality and cost of health care for a population of Medicare beneficiaries. ACOs would have a financial incentive to reduce the growth rate in Medicare spending. This may lessen the degree to which fee-for-service rates need to be restrained to achieve sustainability.

KEY POINTS: We provide the Commissioners with information on the characteristics ACOs would need to have so that actual improvement could be distinguished from random variation and the implications of those characteristics for ACO design.

We also present an illustrative ACO payment design and discuss its features.

ACTION: Commissioners can discuss the findings and decide if there are specific design choices they would like the staff to develop further.

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